

Message Text

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PAGE 01 BONN 11195 061630Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 USIA-06 NSC-05 SS-15
AGRE-00 /089 W

-----072215 062047Z /66

R 061600Z JUL 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9603
INFO AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA

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USEEC ALSO FOR EMBASSY

E.O. 11652: NA
TAGS: ECIN, ETRD, EFIN, EEC, GW
SUBJECT: JUNE 29-30 EUROPEAN COUNCIL: ECONOMIC ISSUES

REF: A. LONDON 10953, B. LONDON 10978, C. LONDON 10981, D.
BONN 11031,

1. SUMMARY: FOREIGN OFFICE OFFICIAL BRIEFED EMBOFF
ON LONDON SUMMIT, IN MOST RESPECTS CONFIRMING
REPORTING FROM EMBASSY LONDON. FRG WAS PARTICULARLY
DISAPPOINTED OVER FAILURE TO REACH COMPROMISE
ON TORUS. IN FRG VIEW COMPROMISE LANGUAGE ON TRADE
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IN EUROPEAN COUNCIL STATEMENT CAN BE INTERPRETED AS
AFFIRMATION OF LIBERAL TRADE POLICY. COMMISSION'S
PROPOSED BORROWING SCHEME WAS OPPOSED BY FRG BECAUSE
OF LINK WITH COMMISSION'S EFFORTS TOWARDS MORE DIRIGISTIC
INDUSTRIAL POLICY. FRG IS NOT CONSIDERING TWO-TIER
SYSTEM FOR NEW EC MEMBER STATES. END SUMMARY.

2. TRADE POLICY: FREITAG, THE FOREGIN OFFICE DESK CHIEF FOR EC TRADE AND AGRICULTURAL POLICY, EXPLAINED THAT LAST PARAGRAPH IN EUROPEAN COUNCIL STATEMENT ON GROWTH, INFLATION AND EMPLOYMENT CONTAINED LANGUAGE DRAFTED BY HEADS OF GOVERNMENT THEMSELVES. HE ACKNOWLEDGED THAT THE SENTENCE ON TRADE COULD BE INTERPRETED IN TWO WAYS. THE FRG SEES THIS STATMENT AS AN AFIRMATION OF THE COMMUNITY'S LIBERAL TRADE POLICY. IF THE CONNECTION BETWEEN EMPLOYMENT AND LIBERAL COMMERCIAL POLICY IS READ IN LIGHT OF THE DOWNING STREET SUMMIT, THIS STATEMENT TOO CAN BE INTERPRETED AS SUPPORT FOR LIBERAL TRADE, BECAUSE AT DOWNING STREET IT WAS RECOGNIZED THAT A LIBERAL TRADING WORLD WILL BRING ABOUT GREATER EMPLOYMENT. THE FRENCH WOULD, OF COURSE, HAVE ANOTHER INTERPRETATION OF THIS COMPROMISE LANGUAGE, BUT FREITAG REGARDED IT AS A SUCCESS THAT FRENCH EFFORTS TO OBTAIN COMMUNITY ENDORSEMENT OF "CONTROLLED LIBERALISM" WERE BEATEN BACK.

3. COMMUNITY BORROWING SCHEME: FREITAG CONFIRMED THE CONTINUED STRONG FRG OPPOSITION TO THE EC BORROWING SCHEME PROPOSED BY THE COMMISSION. HE POINTED OUT THAT THE FRG DID NOT WANT TO GIVE THE COMMISSION AN ADDITIONAL AREA OF LEVERAGE FOR DEVELOPING AN INTERVENTIONIST COMMUNITY INDUSTRIAL POLICY. THE FRG FEARS THAT THE COMMISSION WOULD FIND IT EASY TO MAKE LOANS LIMITED OFFICIAL USE

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FROM THIS FACILITY FOR WHATEVER PROJECTS IT WANTS TO SUPPORT. AT MOST, THE FRG MIGHT BE WILLING TO SUPPORT SOME FORM OF FINANCING FOR PROJECTS WHICH ALREADY HAVE FULL EC-9 APPROVAL. IN ADDITION TO THE INDUSTRIAL POLICY ISSUE, THE FRG IS ALSO RELUCTANT TO OPEN UP ANOTHER ROAD BY WHICH THE EC CAN EXPAND ITS ACTIVITIES WITHOUT BEING LIMITED BY NEED TO OBTAIN FUNDS FROM MEMBER GOVERNMENTS.

4. JOINT EUROPEAN TORUS: ACCORDING TO FREITAG, SCHMIDT WENT TO LONDON WITH THE HOPE OF REACHING A COMPROMISE WITH THE BRITISH ON A DEAL INVOLVING LOCATION OF THE JET PROJECT IN BAVARIA AND SOME SOFTENING OF THE GERMAN POSITION ON THE EUROPEAN UNIT OF ACCOUNT. HOWEVER, BRITISH INTRANSIGENCE PREVENTED ANY AGREEMENT. FREITAG, WHO WAS MUCH MORE PESSIMISTIC ON THIS SCORE THAN RUHFUS (SEE REF D), THEN CITED A REPORT IN JULY 5 GENERAL ANZEIGER WHICH STATED THAT THE OUTLOOK FOR THE JET PROJECT HAS SUNK TO ZERO AND THAT UNDER THESE CIRCUMSTANCES THIS PROJECT WILL BE UNDERTAKEN BY THE FRG ON A NATIONAL BASIS.

5. EC ENLARGEMENT: FREE MOVEMENT OF FOREIGN WORKERS FROM THE MEDITERRANEAN COUNTRIES WILL CERTAINLY POSE A MAJOR PROBLEM FOR THE FRG. FREITAG CONFIRMED THAT THE FRG WOULD HAVE TO INSIST ON A LONG TRANSITION PERIOD PRECEDING FULL FREEDOM OF MOVEMENT. HOWEVER, HE STRESSED THAT AT THE END OF THIS TRANSITION PERIOD THE NEW MEMBER STATES MUST BE TREATED AS FULL EQUALS WITHIN THE COMMUNITY. IT WOULD BE POLITICALLY IMPOSSIBLE FOR THESE STATES TO ACCEPT ANY FORM OF SECOND CLASS TREATMENT. BEYOND THAT, IT WOULD HEIGHTEN FRICTION WHICH ALREADY EXISTS IN THE COMMUNITY IF RESENTMENTS BASED ON DISCRIMINATION WERE ALLOWED TO BREW. WHILE THE FRG GAVE CONSIDERATION TO A TWO-TIER COMMUNITY SOME TIME AGO--THIS CONCEPT WAS COVERED LIMITED OFFICIAL USE

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IN THE TINDEMANS REPORT-THERE HAS BEEN NO SERIOUS CONSIDERATION OF SUCH AN IDEA FOR SOME TIME. STOESEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC COOPERATION
Control Number: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN11195
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770240-0152
Format: TEL
From: BONN USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770789/aaaaczmmz.tel
Line Count: 139
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b1c5b370-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 LONDON 10953, 77 LONDON 10978, 77 LONDON 10981
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1957153
Secure: OPEN
Status: NATIVE
Subject: JUNE 29-30 EUROPEAN COUNCIL: ECONOMIC ISSUES
TAGS: ECIN, ETRD, EFIN, GE, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b1c5b370-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009